

For Immediate Release

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UNIVERSITY BANCORP REPORTS \$1,015,294 9MO 2007 UNAUDITED NET INCOME

Ann Arbor, Michigan, August 15, 2007 – University Bancorp, Inc. (NASDAQ: UNIB) reported unaudited net income for the Company for the nine-month period ended September 30, 2007 was \$1,015,294 as compared to a loss of \$347,237 for the same period last year. Income for the nine-months ended September 30, 2007 at Midwest Loan Services was assisted by termination fee income of \$1,175,284 which more than offset a fair value mortgage servicing rights allowance of \$182,770. Year-to-date key metrics of the bank have shown positive trends:

- Loans and financings +15.5% (+20.7% annualized)
- Islamic profit sharing deposits +81.4% (+108.6% annualized)
- Islamic financings +33.2% (+44.2% annualized)
- Tier 1 Capital +17.2% to \$9,031,000
- Net interest and financing income +34.1%

Net interest and financing income increased from a year ago as a result of a net increase in earning assets and an increase in net interest and financing income as a percentage of total average earning assets to 4.87% from 4.54%. Net income available to common shareholders was \$985,727 for the first three quarters of 2007, versus a net loss of \$370,216 for the same period in 2006. Basic and diluted earnings (loss) per share for the 2007 and 2006 nine-month periods were \$0.23 and \$0.23, in 2007 and \$(0.09) and \$(0.09) in 2006, respectively.

The pre-tax net loss for the Company for the three-month period ended September 30, 2007 was \$49,738 as compared to a loss of \$132,971 for the same period in 2006. The Bank's subsidiary, Midwest Loan Services, reported a pre-tax net loss of \$19,000 for the third quarter of 2007 as compared to net loss of \$11,000 for the same period in 2006. Income at Midwest was negatively impacted in the third quarter 2007 by a decrease in long term mortgage interest rates which caused the fair value of mortgage servicing rights held for investment to decrease by \$236,914, throwing operating results into an overall loss for the quarter. Community Banking reported a pre-tax net loss of \$12,000 during the current year's third quarter, an improvement over a pre-tax net loss of \$95,000 for the same period in 2006. Community Banking's results continue to reflect ongoing investment in the expansion of University Islamic Financial, including legal and personnel costs to expand the product offering into additional states. Subsequent to quarter-end, FHLMC approved the expansion of the Islamic financing product into a total of ten states. A 44.9% increase in net interest and financing income from the third quarter of 2007 to the third quarter of 2006, driven by increases in loans and financings and an increased net spread, was offset by the mortgage servicing rights valuation allowance.

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At September 30, 2007, Midwest was subservicing 32,770 mortgages, an increase of 4.9% from 31,242 mortgages subserviced at June 30, 2007 and an increase of 1.0% from 32,461 mortgages subserviced at December 31, 2006. Midwest currently has under contract for conversion to its subservicing system prior to year-end a total of 10,000 new mortgages.

(in 000s except for per share data)

	For the Quarter Ended		For the Nine-Months Ended	
	Sept. 30,		Sept. 30,	
	2007	2006	2007	2006
Net interest and financing income	\$ 884	\$ 610	\$2,571	\$1,918
Provision for loan losses	16	57	92	106
Total securities gains	78	0	78	0
Total other income	1,184	1,197	4,823	3,284
Decrease in fair value of mortgage servicing rights	237	0	183	0
Servicing rights amortization	0	194	0	160
Total other expense	1,921	1,661	5,865	5,178
Income tax expense	0	0	20	0
Minority interest	21	27	297	105
Net income (loss)	(50)	(133)	1,015	(347)
Preferred stock dividends	11	9	30	23
Net income (loss) available to common shareholders	\$ (61)	\$ (142)	\$ 986	\$ (370)
Basic earnings (loss) per common share	\$(0.01)	\$(0.03)	\$ 0.23	\$(0.09)
Diluted earnings (loss) per common share	\$(0.01)	\$(0.03)	\$ 0.23	\$(0.09)
Weighted average shares outstanding				
Basic	4,248	4,248	4,248	4,214
Diluted	4,248	4,248	4,286	4,214
Net interest & profit margin	4.64%	4.29%	4.87%	4.54%

Period-end (in 000s except Book Value per share):

	Sept 30,		December 31,
	2007	2006	2006
Financings & Financings			
Held for Sale	\$58,827	\$50,163	\$52,879
Allowance for loan losses	536	458	466
Deposits	77,347	57,015	78,882
Assets	87,487	65,842	87,272
Equity	6,373	5,300	5,251
Book value per share	\$1.38	\$1.21	\$1.15

At September 30, 2007 University Bank's Tier 1 Capital Ratio was 10.2%, an increase from 9.80% at December 31, 2006. Tier 1 Capital increased to \$9,031,000 from \$7,676,000 over this period. Over the past 23 months, the bank's Tier 1 capital has risen dramatically, from \$3,159,000 to nearly three times that level through a combination of earnings and strategic management decisions. President Stephen Lange

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Ranzini noted, "With our current capital levels, University Bank could grow its balance sheet by 47% and still remain well capitalized at our long-term capital to asset goal of 7% Tier 1 Capital to Assets."

President Stephen Lange Ranzini noted, "Although University Bank is an active participant in the residential mortgage industry, it has never originated many types of riskier mortgage loans that are currently causing severe losses among our competitors. We've never originated any "interest-only", "optional payment", "negatively amortizing" or "no income verification" loans. We have originated and then sold to the secondary market a few hundred ALT-A and sub-prime loans, however, remarkably, this portfolio of loan servicing as of September 30, 2007 had zero delinquencies. Moreover, the bank owns no mortgage securities other than those guaranteed by GNMA, FNMA or FHLMC."

Pre-tax income (loss) summary after minority interest for the three and nine-months ended September 30, 2007 (in thousands):

	<u>Three-Months</u>	<u>Nine-months</u>
Community Banking	\$ (12)	\$ (255)
Midwest Loan Services	(19)	1,345
Corporate Office	(19)	(55)
Total	<u>\$ (50)</u>	<u>\$ 1,035</u>

Pre-tax income (loss) summary after minority interest for the three and nine-months ended September 30, 2006 (in thousands):

	<u>Three-Months</u>	<u>Nine-months</u>
Community Banking	\$ (95)	\$ (261)
Midwest Loan Services	(11)	238
Corporate Office	(27)	(324)
Total	<u>\$ (133)</u>	<u>\$ (347)</u>

Ann Arbor based University Bancorp owns 100% of University Bank which services a total of over \$4 billion in loans. University Bank is an FDIC-insured, locally owned and managed community bank, and is the only financial institution headquartered in Washtenaw County rated "Outstanding" by the FDIC for Community Service and Community Reinvestment. University Bank focuses on local businesses, minorities and the non-profit communities primarily serving the cities of Ann Arbor and Ypsilanti of Washtenaw County. Other University Bank specialties include highly competitive deposit products for business owners, residential mortgages, commercial real estate lending and insurance, investments and money management through its wholly-owned subsidiary University Insurance & Investments, Inc. University Bank also engages in Islamic Banking through 80%-owned University Islamic Financial Corporation, the first and only Islamic Banking subsidiary of mortgage alternative financing, the only FDIC-insured Islamic deposits a bank in the U.S. University Islamic Financial offers home financings, deposits (offered through University Bank) and Islamic equity mutual funds (offered through University Insurance & Investments). University Bank also specializes in mortgage subservicing and mortgage origination primarily serving over 240 credit

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unions (representing 2.5% of all credit unions nationwide) through its Houghton-based 80%-owned subsidiary, Midwest Loan Services, Inc.

Any prediction of the future is inherently not assured. Investors should read the risk factors listed on pages 21 through 22 in the Company's report on Form 10KSB for the year ended December 31, 2006 and any prediction in this release is intended to be covered by the Safe Harbor provisions of Section 21E of the Securities Exchange Act of 1934.

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